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September 16, 2005

AGENDA ITEM 10

TO: MEMBERS OF THE FINANCE COMMITTEE

- I. SUBJECT:** 2005 Strategic Plan Goals (Second Reading)
- II. PROGRAM:** Systemwide
- III. RECOMMENDATION:** Staff recommends the approval as a second reading, the 2005 Strategic Plan Goals and Statements of Intent.

IV. ANALYSIS:

Background

For the past ten years, CalPERS has been guided by a set of five strategic goals. These goals have provided the organization with a sense of direction and are the foundation for the development of the CalPERS' Three-Year Business Plan.

The current strategic goals were written from a broad enterprise viewpoint. This served the organization well in helping to break down organization silos and in creating an enterprise-wide identity. In fact, CalPERS has been successful in achieving most, if not all, of its business objectives and outcomes in pursuit of these goals.

In January, recognizing the changing times, the Board directed staff to initiate a review of our strategic plan with a sharper focus on each of our primary lines of business: Pension, Asset and Liability Management, and Health. Staff was also directed to not lose sight of the continuing need for an enterprise perspective; in particular, the key inter-connections and interdependencies between the different business lines.

Over a six-month period the Board held a series of workshops on each of the business lines. The goal-setting process culminated with the Board's July offsite where Board and Executive Staff set about the task of crafting a set of strategic goals that would help chart CalPERS direction over the next 5-10 years.

Strategic Goals

The Board and Executive staff crafted a set of strategic goals for each business line they believe are responsive to anticipated future market dynamics and stakeholder needs. In addition a set of four enterprise goals were also drafted.

Once the strategic goals are adopted by the Board, the Strategic Management Services Division will lead the organization in the development of its three-year business plan. The plan will contain specific objectives to achieve the adopted goals. These objectives will provide for specific measurable outcomes and timeframes. The progress of the organization in achieving its business objectives will be reported to the Board on a quarterly basis providing a means for the Board to gauge the organizations progress in achieving the strategic goals. As is often the case, the unexpected happens and a recalibration of our strategic direction may be required. The CalPERS' strategic plan while serving as a road map for the future is also a living document and is thus subject to change.

Attached is the first reading of the Strategic Goals submitted by staff for consideration and adoption by the CalPERS' Board of Administration. In addition to each goal, a brief "statement of intent" is provided to offer some background as to the market dynamics and/or rationale for each of the goals.

IV. STRATEGIC PLAN:

This is an update to the current CalPERS Strategic Plan.

VI. RESULTS/COSTS:

N/A

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